

105TH CONGRESS
2D SESSION

S. 2489

To amend the Child Care and Development Block Grant Act of 1990 and the Higher Education Act of 1965 to establish and improve programs to increase the availability of quality child care, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 17, 1998

Mr. WELLSTONE introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

A BILL

To amend the Child Care and Development Block Grant Act of 1990 and the Higher Education Act of 1965 to establish and improve programs to increase the availability of quality child care, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Child Development
5 Act”.

1 **TITLE I—CHILD CARE AND**
 2 **DEVELOPMENT BLOCK GRANT**

3 **SEC. 101. DEFINITIONS.**

4 (a) AMENDMENTS.—Section 658P of the Child Care
 5 and Development Block Grant Act of 1990 (42 U.S.C.
 6 9858n) is amended—

7 (1) by striking paragraph (8) and inserting the
 8 following:

9 “(8) LOCAL AREA.—The term ‘local area’
 10 means a local area referred to in section
 11 658D(d)(1).”; and

12 (2) by adding at the end the following:

13 “(15) CHILD CARE; CHILD CARE SERVICES.—
 14 The terms ‘child care’ and ‘child care services’ in-
 15 clude out-of-school care provided under section
 16 658F(a)(2), but do not include other services pro-
 17 vided under section 658G or 658H.

18 “(16) GENERAL CHILD CARE PROVIDER.—The
 19 term ‘general child care provider’ means a provider
 20 that meets the licensing requirements (including ac-
 21 creditation requirements) (if any) applicable to child
 22 care services provided within the State.

23 “(17) HEAD START PROGRAM.—The term
 24 ‘Head Start program’ means a program carried out
 25 under the Head Start Act (42 U.S.C. 9831 et seq.).

1 “(18) LOCAL COORDINATING BOARD.—The
 2 term ‘local coordinating board’ means a local child
 3 care coordinating board established under section
 4 658D(d).

5 “(19) LOCAL EDUCATIONAL AGENCY; STATE
 6 EDUCATIONAL AGENCY.—The terms ‘local edu-
 7 cational agency’ and ‘State educational agency’ have
 8 the meanings given the terms in section 14101 of
 9 the Elementary and Secondary Education Act of
 10 1965 (20 U.S.C. 8801).

11 “(20) OUT-OF-SCHOOL CARE.—The term ‘out-
 12 of-school care’ means before- and after-school care,
 13 weekend, holiday, and vacation care, and care pro-
 14 vided on school release days.

15 “(21) STATE COORDINATING BOARD.—The
 16 term ‘State coordinating board’ means a State child
 17 care coordinating board established under section
 18 658D(c).”.

19 (b) REDESIGNATION.—The Child Care and Develop-
 20 ment Block Grant Act of 1990 (42 U.S.C. 9858 et seq.)
 21 is amended—

22 (1) by redesignating section 658P as section
 23 658T; and

24 (2) by moving such section 658T to the end of
 25 such Act.

1 **SEC. 102. AUTHORIZATION OF APPROPRIATIONS.**

2 Section 658B of the Child Care and Development
3 Block Grant Act of 1990 (42 U.S.C. 9858) is amended—

4 (1) by inserting before “There is” the following:

5 “(a) DIRECT CHILD CARE AND QUALITY IMPROVE-
6 MENT ACTIVITIES.—”;

7 (2) by striking “this subchapter” and all that
8 follows and inserting “sections 658F(a)(1) and
9 658G(a), \$1,000,000,000 for each of fiscal years
10 1999 through 2003.”; and

11 (3) by adding at the end the following:

12 “(b) ADDITIONAL ACTIVITIES.—There are authorized
13 to be appropriated and there are appropriated, for each
14 of fiscal years 1999 through 2003—

15 “(1) \$7,500,000,000, in addition to amounts
16 made available under subsection (a) and section 418
17 of the Social Security Act (42 U.S.C. 618), to carry
18 out section 658F(a)(1);

19 “(2) \$1,000,000,000 to carry out section
20 658F(a)(2);

21 “(3) \$800,000,000 to carry out section
22 658G(b);

23 “(4) \$250,000,000 to carry out section
24 658G(c);

25 “(5) \$200,000,000 to carry out section
26 658G(d); and

1 “(6) \$100,000,000 to carry out section 658H.”.

2 **SEC. 103. STATE CHILDREN’S BOARDS AND LOCAL COORDI-**
 3 **NATING BOARDS.**

4 Section 658D of the Child Care and Development
 5 Block Grant Act of 1990 (42 U.S.C. 9858b) is amended—

6 (1) by striking the section heading and insert-
 7 ing the following:

8 **“SEC. 658D. STATE AND LOCAL COORDINATING BOARDS.”;**

9 (2) in subsection (a)—

10 (A) by striking “State agency” and insert-
 11 ing “State entity”; and

12 (B) by striking “to act as the lead agency”
 13 and inserting “to serve as a State coordinating
 14 board”;

15 (3) in subsection (b)—

16 (A) in paragraph (1)—

17 (i) in the matter preceding subpara-
 18 graph (A), by striking “lead agency” and
 19 inserting “State coordinating board”; and

20 (ii) in subparagraph (D), by inserting
 21 before the period the following: “, includ-
 22 ing developing a plan for the coordination
 23 of services provided under this subchapter
 24 and services provided through such pro-

1 grams in the State, which plan shall be de-
2 signed to—

3 “(i) reduce gaps and duplications in
4 the services described in the plan;

5 “(ii) promote continuity in the serv-
6 ices;

7 “(iii) promote the most cost-effective
8 models for the services; and

9 “(iv) direct the missions of the State
10 agencies represented in the Board to meet
11 the needs of children.”; and

12 (B) in paragraph (2), by striking “lead
13 agency” and inserting “State coordinating
14 board”;

15 (4) by adding at the end the following:

16 “(c) STATE CHILD CARE COORDINATING BOARD.—

17 “(1) IN GENERAL.—Each Governor of a State
18 that carries out an activity funded under this sub-
19 chapter shall establish the State child care coordi-
20 nating board referred to in subsection (a).

21 “(2) COMPOSITION.—The board shall include a
22 representative of—

23 “(A) the State educational agency;

24 “(B) the State health department or com-
25 parable agency;

1 “(C) the State agency with primary re-
 2 sponsibility for human services, as determined
 3 by the Governor of the State; and

4 “(D) any State agencies with primary re-
 5 sponsibility for child care (including out-of-
 6 school care) programs, pre-kindergarten edu-
 7 cation programs, Head Start programs, and
 8 other early education services, as determined by
 9 the Governor of the State.

10 “(d) LOCAL COORDINATING BOARD.—

11 “(1) IN GENERAL.—Each chief executive officer
 12 of a unit of general purpose local government that
 13 receives assistance under this subchapter shall estab-
 14 lish a local child care coordinating board for the
 15 local area served by the local government.

16 “(2) COMPOSITION.—Except as provided in
 17 paragraph (3), the local coordinating board shall in-
 18 clude representatives in the local area of—

19 “(A) entities carrying out early child care
 20 and early education programs, including rep-
 21 resentatives of family child care providers and
 22 center-based child care providers;

23 “(B) entities carrying out child care re-
 24 source and referral programs;

1 “(C) entities carrying out Head Start pro-
2 grams;

3 “(D) entities carrying out pre-kindergarten
4 education programs;

5 “(E) the health department or comparable
6 agency for the local area;

7 “(F) the agency with primary responsibil-
8 ity for human services for the local area, as de-
9 termined by the chief executive officer;

10 “(G) the agency with primary responsibil-
11 ity for child welfare for the local area, as deter-
12 mined by the chief executive officer;

13 “(H) entities carrying out child care pro-
14 grams for children within the compulsory school
15 attendance age range for the State involved;

16 “(I) the local educational agency;

17 “(J) the agencies with primary responsibil-
18 ity for economic development, and employment
19 and training services, for the local area, as de-
20 termined by the chief executive officer; and

21 “(K) parents.

22 “(3) ORGANIZATIONS.—In establishing a local
23 coordinating board, the chief executive officer may
24 designate a nonpartisan organization such as an en-

1 tity described in paragraph (2)(B) to serve as the
2 board.

3 “(4) DUTIES.—The local coordinating board for
4 a local area shall carry out the duties specified for
5 the board under this subchapter and shall oversee
6 the administration of activities carried out in the
7 local area under sections 658F(a)(2) and 658G(c)
8 with funds made available to carry out this sub-
9 chapter.

10 “(5) SERVICES FOR LOCAL COORDINATING
11 BOARD.—The chief executive officer shall enter into
12 an agreement with an entity described in paragraph
13 (2)(B) or (if no such entity exists in the local area)
14 with a local agency to provide to the local coordinat-
15 ing board, in appropriate cases, services that consist
16 of data collection, community needs assessment,
17 planning, research, and coordination services.”.

18 **SEC. 104. STATE PLAN REQUIREMENTS.**

19 (a) IN GENERAL.—Section 658E(c) of the Child Care
20 and Development Block Grant Act of 1990 (42 U.S.C.
21 9858c(c)) is amended—

22 (1) in paragraph (1), by striking “lead agency
23 designated” and inserting “State coordinating board
24 established”;

25 (2) in paragraph (2)(A)—

1 (A) in clause (i)(II), by striking “section
2 658P(2)” and inserting “section 658T(2)”; and

3 (B) in clause (ii), by striking “eligible pro-
4 vider” and inserting “eligible child care pro-
5 vider (or, in the case of out-of-school care de-
6 scribed in section 658F(a)(2), an entity that re-
7 ceives a grant under section 658F(a)(2)(B))”;
8 (3) in paragraph (3)—

9 (A) in subparagraph (A), by striking
10 “(D)” and inserting “(E)”;

11 (B) in subparagraph (B), by inserting be-
12 fore “, and any other activity” the following:
13 “(including activities described in subsections
14 (a) through (d) of section 658G), activities de-
15 scribed in section 658H”;

16 (C) in subparagraph (C), in the first sen-
17 tence, by inserting before the period the follow-
18 ing: “, including conducting rate and wage sur-
19 veys and submitting reports under section
20 658K(c)”;

21 (D) in subparagraph (D), by striking
22 “under this subchapter” and inserting “under
23 section 658F(a)”; and

24 (E) by adding at the end the following:

1 “(E) ALLOCATION OF FUNDS BY ACTIV-
2 ITY.—The State plan shall provide that the
3 State will use each of the 5 State allotments
4 made under section 658O(b) for the activities
5 for which the allotment is made.”;

6 (4) in paragraph (4)—

7 (A) by redesignating subparagraph (B) as
8 subparagraph (E); and

9 (B) by inserting after subparagraph (A)
10 the following:

11 “(B) LIMIT.—The State plan shall specify
12 that the payment rates for the provision of the
13 child care services shall be established in a
14 manner that provides for the payment of the
15 market rate for such services, except as pro-
16 vided in subparagraph (C).

17 “(C) HIGHER RATES FOR CERTAIN TYPES
18 OF CARE.—The State plan may provide that the
19 payment may be higher for—

20 “(i) child care services for children
21 with disabilities, or infants and toddlers
22 with disabilities, as such terms are defined
23 in section 602 of the Individuals with Dis-
24 abilities Education Act (20 U.S.C. 1401)
25 or for children within age ranges specified

1 by the State if the State determines that
2 higher payments are justified for the care
3 of such children;

4 “(ii) comprehensive child care serv-
5 ices, as determined by the State;

6 “(iii) care by types of providers speci-
7 fied by the State if the State determines
8 that higher payments are justified for care
9 by such providers; and

10 “(iv) care provided through accredited
11 child care programs, as determined by the
12 State.

13 “(D) FEDERAL AND NON-FEDERAL
14 SHARES.—

15 “(i) IN GENERAL.—The State plan
16 shall provide that the funds made available
17 to the State from amounts appropriated
18 under section 658B(b) shall be used to pay
19 for the Federal share of the cost of carry-
20 ing out the appropriate activities described
21 in the provisions referred to in section
22 658B(b).

23 “(ii) FEDERAL SHARE.—The Federal
24 share of the cost is 80 percent.

1 “(iii) NON-FEDERAL SHARE.—The
 2 non-Federal share of the cost may be in
 3 cash or in kind, fairly evaluated, including
 4 plant, equipment, or services.”; and

5 (5) by adding at the end the following:

6 “(6) REPORT, PLAN, AND PROPOSAL FOR CHILD
 7 CARE CAPITAL FINANCING PROGRAM.—The State
 8 plan shall include—

9 “(A) a report described in section
 10 658H(c)(2), based on a study described in sec-
 11 tion 658H(c)(1);

12 “(B) a plan with clear measurable goals
 13 for addressing the differences and deficiencies
 14 described in the report, including addressing
 15 the differences and deficiencies through a child
 16 care capital financing program carried out
 17 under section 658H(b); and

18 “(C) a proposal for monitoring the impact
 19 and effectiveness of the implementation of the
 20 plan described in subparagraph (B) under sec-
 21 tion 658H.”.

22 (b) REDESIGNATION AND CONFORMING AMEND-
 23 MENTS.—Section 658F of the Child Care and Develop-
 24 ment Block Grant Act of 1990 (42 U.S.C. 9858d) is
 25 amended—

1 (1) in subsection (b)—

2 (A) in paragraph (1), by striking “section
3 658O(c)(6)” and inserting “sections 658H and
4 658O(c)(6)”; and

5 (B) in paragraph (2), by inserting before
6 “except” the following: “except as provided in
7 section 658H and”;

8 (2) by redesignating subsections (a) and (b) as
9 subsections (c) and (d);

10 (3) by moving such subsections to the end of
11 section 658M; and

12 (4) by striking the section heading.

13 **SEC. 105. SCHOOL-AGE CHILD CARE AND OTHER CHILD**
14 **CARE PROGRAMS.**

15 The Child Care and Development Block Grant Act
16 of 1990 (42 U.S.C. 9858 et seq.) is amended by inserting
17 after section 658E the following:

18 **“SEC. 658F. SCHOOL-AGE CHILD CARE AND OTHER CHILD**
19 **CARE PROGRAMS.**

20 “(a) CHILD CARE PROGRAMS.—

21 “(1) GENERAL CHILD CARE PROGRAMS.—A
22 State that receives an allotment for a fiscal year in
23 accordance with section 658O(f)(1) shall use the
24 funds made available through the allotment (less any

1 amounts needed to carry out section 658G(a)) for
 2 child care services on a sliding fee scale basis.

3 “(2) OUT-OF-SCHOOL CARE PROGRAMS.—

4 “(A) STATE GRANTS.—

5 “(i) IN GENERAL.—A State that re-
 6 ceives an allotment for a fiscal year in ac-
 7 cordance with section 658O(f)(2) shall use
 8 the funds made available through the allot-
 9 ment to make grants to local coordinating
 10 boards for out-of-school care programs.

11 “(ii) APPLICATION.—To be eligible to
 12 receive a grant from a State under clause
 13 (i), a local coordinating board shall submit
 14 to the State an application at such time, in
 15 such manner, and containing such infor-
 16 mation as the State may require. At a
 17 minimum, the application shall include an
 18 assurance that the board has issued a re-
 19 quest for proposals to carry out the pro-
 20 grams, and shall include a plan for con-
 21 ducting the programs, based on the pro-
 22 posals received.

23 “(B) LOCAL GRANTS.—

24 “(i) IN GENERAL.—A local coordinat-
 25 ing board that receives funds under sub-

1 paragraph (A) shall use the funds to make
2 grants to appropriate entities to establish,
3 develop, and carry out out-of-school care
4 programs.

5 “(ii) PROPOSAL.—To be eligible to re-
6 ceive a grant from a local coordinating
7 board under clause (i), an entity shall sub-
8 mit to the board a proposal at such time,
9 in such manner, and containing such infor-
10 mation as the board may require.

11 “(iii) SELECTION.—In selecting an
12 entity to receive a grant under clause (i),
13 a local coordinating board shall evaluate
14 the qualifications of the entities submitting
15 proposals on the basis of the quality indi-
16 cators used for accreditation by a national
17 accreditation association concerned with
18 school-age child care.

19 “(iv) USE OF FUNDS.—An entity that
20 receives a grant under clause (i) shall use
21 the funds made available through the
22 grant to provide out-of-school care pro-
23 grams for children (including children with
24 disabilities, as defined in section 602 of the
25 Individuals with Disabilities Education Act

1 (20 U.S.C. 1401)) who are not more than
2 age 18 and who meet the requirements of
3 subparagraphs (B) and (C) of section
4 658T(4).

5 “(v) SERVICES.—In providing an out-
6 of-school care program under this subpara-
7 graph, an entity may use the funds de-
8 scribed in clause (iv) to provide services for
9 children described in clause (iv), that con-
10 sist of—

11 “(I) recreational activities;

12 “(II) community-based service
13 programs that provide for meaningful
14 human, educational, environmental, or
15 public safety service;

16 “(III) academic assistance and
17 tutoring;

18 “(IV) mentoring;

19 “(V) conflict management;

20 “(VI) health and nutrition serv-
21 ices or disease and injury prevention
22 services;

23 “(VII) literacy services;

1 “(VIII) child care (other than
2 another service described in this
3 clause);

4 “(IX) transportation of the chil-
5 dren described in clause (iv) be-
6 tween—

7 “(aa) school or home; and

8 “(bb) the facility in which
9 the services are provided; and

10 “(X) such other activities as the
11 local coordinating board may deter-
12 mine to be appropriate.

13 “(b) DEFINITION.—For purposes of this subchapter,
14 the term ‘eligible child’, used with respect to child care
15 provided under subsection (a)(2), includes a child de-
16 scribed in subsection (a)(2)(B)(iv).”.

17 **SEC. 106. CHILD CARE QUALITY IMPROVEMENT ACTIVI-**
18 **TIES.**

19 Section 658G of the Child Care and Development
20 Block Grant Act of 1990 (42 U.S.C. 9858e) is amended
21 to read as follows:

22 **“SEC. 658G. CHILD CARE QUALITY IMPROVEMENT ACTIVI-**
23 **TIES.**

24 “(a) GENERAL QUALITY IMPROVEMENT ACTIVI-
25 TIES.—A State that receives an allotment for a fiscal year

1 in accordance with section 658O(f)(1) shall use not less
 2 than 4 percent of the funds made available through such
 3 allotment for activities that are designed to provide com-
 4 prehensive consumer education to parents and the public,
 5 activities that increase parental choice, and activities de-
 6 signed to improve the quality and availability of child care
 7 (such as resource and referral services).

8 “(b) AVAILABILITY OF QUALITY CHILD CARE SERV-
 9 ICES.—

10 “(1) IN GENERAL.—A State that receives an al-
 11 lotment for a fiscal year in accordance with section
 12 658O(f)(3) shall use the funds made available
 13 through the allotment for activities described in
 14 paragraph (2) designed to improve the availability of
 15 quality child care services.

16 “(2) ACTIVITIES.—The State may use the
 17 funds for—

18 “(A) assisting general child care providers
 19 in the State in bringing provider-child ratios up
 20 to standards recommended by nationally recog-
 21 nized child care accrediting bodies;

22 “(B) improving the enforcement of licens-
 23 ing requirements, including through the use of
 24 unannounced inspection of general child care
 25 providers;

1 “(C) conducting background checks on
2 general child care providers;

3 “(D) improving the compensation of gen-
4 eral child care providers;

5 “(E) assisting general child care providers
6 in becoming licensed (including becoming ac-
7 credited);

8 “(F) expanding activities to educate par-
9 ents on the availability and quality of child
10 care, including the development and operation
11 of resource and referral systems;

12 “(G) creating support networks for family
13 child care providers;

14 “(H) establishing linkages between child
15 care services and health care services;

16 “(I) offering training and education to
17 general child care providers, including offering
18 scholarships to assist with the expenses of ob-
19 taining such training and education; and

20 “(J) providing parent education and family
21 support programs.

22 “(3) ADMINISTRATION.—The State may carry
23 out the activities described in this subsection directly
24 or by grant or contract.

1 “(c) CHALLENGE GRANTS TO INCREASE THE AVAIL-
2 ABILITY AND QUALITY OF CHILD CARE.—

3 “(1) ESTABLISHMENT.—The Secretary shall es-
4 tablish a program to award challenge grants to local
5 coordinating boards that demonstrate to the Sec-
6 retary that the boards can successfully generate the
7 matching funds from the private sector required
8 under paragraph (3) for the purpose of expanding
9 the availability of, and improving the quality of,
10 child care throughout the local areas served by the
11 boards.

12 “(2) APPLICATION.—To be eligible to receive a
13 grant under this subsection, a local coordinating
14 board shall prepare and submit to the Secretary an
15 application at such time and in such manner as the
16 Secretary may require, and that includes—

17 “(A) an assurance that the private sector
18 matching funds required under paragraph (3)
19 will be provided;

20 “(B) evidence of collaboration with par-
21 ents, schools, employers, child care agencies,
22 and other State and local government agencies
23 in the preparation of the application;

24 “(C) an assessment of child care resources
25 and needs within the local area; and

1 “(D) any additional information that the
2 Secretary may require.

3 “(3) MATCHING REQUIREMENT.—To be eligible
4 to receive a grant under this subsection a local co-
5 ordinating board shall provide assurances to the Sec-
6 retary that the local area will provide \$1 for every
7 \$2 provided under the grant, from private sector
8 sources.

9 “(4) USE OF FUNDS.—A local coordinating
10 board shall use the matching funds provided under
11 a grant awarded under this subsection only for the
12 purpose described in paragraph (1).

13 “(5) ADMINISTRATION.—A local coordinating
14 board awarded a grant under this subsection may
15 authorize a public or nonprofit entity within the
16 local area to act as the fiscal agent for the adminis-
17 tration of the program funded under the grant.

18 “(d) PROFESSIONAL DEVELOPMENT ACTIVITIES AND
19 COMPENSATION.—

20 “(1) STATE USE OF FUNDS.—A State that re-
21 ceives an allotment for a fiscal year in accordance
22 with section 658O(f)(4) shall use the funds made
23 available through the allotment to provide, directly
24 or by grant or contract with an appropriate entity,
25 the professional development activities and com-

1 pensation described in paragraph (2), in order to im-
 2 prove the availability of quality child care services.

3 “(2) ACTIVITIES.—The State may use the
 4 funds to—

5 “(A) provide training or classes related to
 6 early childhood development for general child
 7 care providers;

8 “(B) provide increased compensation for
 9 general child care providers who have completed
 10 training or coursework in classes described in
 11 subparagraph (A), or additional early childhood
 12 development training, that meets such require-
 13 ments as the State may specify; and

14 “(C) provide mentoring and apprenticeship
 15 programs for general child care providers.”.

16 **SEC. 107. CHILD CARE CAPITAL FINANCING PROGRAM.**

17 The Child Care and Development Block Grant Act
 18 of 1990 (42 U.S.C. 9858 et seq.) is amended by inserting
 19 after section 658G the following:

20 **“SEC. 658H. CHILD CARE CAPITAL FINANCING PROGRAM.**

21 “(a) IN GENERAL.—A State that receives an allot-
 22 ment for a fiscal year in accordance with section
 23 658O(f)(5) shall use the funds made available through the
 24 allotment for the establishment and implementation of a
 25 child care capital financing program described in sub-

1 section (b) and for related activities described in sub-
 2 section (c).

3 “(b) CHILD CARE CAPITAL FINANCING PROGRAM.—

4 “(1) IN GENERAL.—Each State described in
 5 subsection (a) shall establish a child care capital fi-
 6 nancing program, through which the State shall fi-
 7 nance child care capital projects described in para-
 8 graph (4), consistent with the plan and proposal ap-
 9 proved in the State plan under section 658E(c)(6).

10 “(2) CAPITAL FINANCING MECHANISMS.—In
 11 carrying out the program, the State may use the
 12 funds made available through the allotment referred
 13 to in subsection (a) to provide capital financing for
 14 the child care capital projects by—

15 “(A) making grants to the entities de-
 16 scribed in paragraph (3);

17 “(B) making direct loans to the entities;

18 “(C) making guarantees for loans assumed
 19 by the entities, or purchasing letters of credit
 20 from the lenders for such loans;

21 “(D) entering into contracts to make an-
 22 nual interest and principal payments on behalf
 23 of the entities for such loans;

24 “(E) subsidizing interest payments on be-
 25 half of the entities for such loans;

“(F) capitalizing, or assisting in the capitalization of, a child care capital investment fund, which shall be available to provide the financial assistance described in subparagraphs (A) through (E) for the entities; and

“(G) funding a reserve to enhance the ability of the State to issue a revenue bond (including obtaining more favorable underwriting terms for the bond) designed to provide the financial assistance for the entities.

“(3) ELIGIBLE ENTITIES.—

“(A) IN GENERAL.—Entities eligible to receive assistance through capital financing provided under this subsection for facilities shall be—

“(i) general child care providers who own the facilities, or lease the facilities as described in subparagraph (B)(ii); or

“(ii) qualified private entities developing child care facilities under agreements with general child care providers described in clause (i), in any State in which the Secretary determines that State law governs such agreements, prohibits fraudulent and other inappropriate transactions, and

1 is sufficient to protect the financial inter-
2 ests of the Federal Government and the
3 State.

4 “(B) APPLICATION.—To be eligible to re-
5 ceive assistance through capital financing pro-
6 vided under this subsection, an entity shall sub-
7 mit an application to the State at such time, in
8 such manner, and containing such information
9 as the State may require. At a minimum, the
10 application shall contain—

11 “(i) the agreement described in para-
12 graph (4)(E); and

13 “(ii) if the general child care provider
14 leases the facility at which the child care
15 capital project will occur—

16 “(I) a copy of a signed and en-
17 forceable lease providing that the pro-
18 vider may provide child care at the fa-
19 cility for not less than 5 years after
20 the completion of the project; and

21 “(II) an agreement by the owner
22 of the facility and the general child
23 care provider that the owner and pro-
24 vider will deliver to the State an exe-

1 cuted assignment of the lease to the
2 State.

3 “(4) CHILD CARE CAPITAL PROJECTS.—An en-
4 tity that receives assistance under this subsection
5 through capital financing described in paragraph (2)
6 shall use the assistance—

7 “(A) for a project, carried out in accord-
8 ance with the plan and proposal described in
9 section 658E(c)(6), that involves the construc-
10 tion, renovation, or repair of a child care facil-
11 ity, or the acquisition or repair of equipment
12 for such a facility;

13 “(B) for a facility through which a center-
14 based child care provider, a group home child
15 care provider, or a family child care provider
16 provides child care services;

17 “(C) for a facility through which a pro-
18 vider—

19 “(i) provides full-time year-round pre-
20 school child care;

21 “(ii) carries out a Head Start pro-
22 gram;

23 “(iii) carries out a child care program,
24 for children within the compulsory school
25 attendance age range for the State, that

1 the State determines meets the needs of
2 working parents; or

3 “(iv) provides a specialized child care
4 program, such as a program to provide
5 evening and weekend child care, that the
6 State determines meets the needs of work-
7 ing parents;

8 “(D) for a facility in which not less than
9 30 percent of the children receiving child care
10 are children whose family income does not ex-
11 ceed 100 percent of the State median family in-
12 come (for a family of the size involved); and

13 “(E) only after entering into an agreement
14 with the State specifying that—

15 “(i) the facility will be used to provide
16 child care for eligible children, in accord-
17 ance with subparagraphs (B), (C), and
18 (D), for at least 5 years after the comple-
19 tion of the project; and

20 “(ii) if the facility is not used as de-
21 scribed in clause (i) for the 5-year period,
22 the owner of the facility shall reimburse
23 the State in an amount equal to the prod-
24 uct of—

25 “(I) the cost of the project;

1 “(II) 20 percent; and

2 “(III) the number of years in the
3 5-year period in which the facility is
4 not used as described in clause (i).

5 “(5) ARRANGEMENTS.—The State may provide
6 the capital financing described in paragraph (2) di-
7 rectly, or may make grants or enter into contracts
8 with public agencies and other appropriate entities
9 to provide the financing.

10 “(6) TECHNICAL ASSISTANCE.—The State shall
11 provide technical assistance to entities carrying out
12 child care capital projects under this subsection.

13 “(c) PLANNING PROCESS.—

14 “(1) STUDY.—Each State described in sub-
15 section (a) shall, prior to the submission of the State
16 plan described in section 658E, study the demand
17 for and supply of child care throughout the State. In
18 conducting the study, the State shall collect informa-
19 tion on the demand and supply and, in particular,
20 on—

21 “(A) the demand and supply in census
22 tracts in which the median family income does
23 not exceed 100 percent of the State median
24 family income (for a family of the size in-
25 volved); and

1 “(B) the quality (including the physical
2 condition) of child care facilities in the State.

3 “(2) REPORT.—The State shall prepare and
4 submit to the Secretary in the State plan a report
5 based on the results of the study and such other in-
6 formation relating to the demand for and supply of
7 child care in the State as the State may determine
8 to be appropriate. The report shall contain an analy-
9 sis of—

10 “(A) any differences between the demand
11 and supply; and

12 “(B) any deficiencies in the quantity and
13 quality of the child care.

14 “(d) CHILD CARE FEDERAL GUARANTEE PRO-
15 GRAM.—

16 “(1) GUARANTEES.—

17 “(A) IN GENERAL.—The Secretary may,
18 on such terms and conditions as the Secretary
19 may prescribe, guarantee notes and other obli-
20 gations issued by States for the purposes of as-
21 sisting entities described in subsection (b)(3)(A)
22 in obtaining financing for projects described in
23 subsection (b)(4)(A).

24 “(B) FULL FAITH AND CREDIT.—The full
25 faith and credit of the United States is pledged

1 to the payment of each guarantee made under
2 this subsection for an obligation. The guarantee
3 shall be conclusive evidence of the eligibility of
4 the obligation for the guarantee with respect to
5 principal and interest. The validity of the guar-
6 antee shall be incontestable in the hands of a
7 holder of the obligation.

8 “(2) CONDITIONS ON OBLIGATIONS AND FI-
9 NANCING.—A guarantee under this subsection may
10 be used to assist an entity in obtaining financing
11 only if the entity has made efforts to obtain the fi-
12 nancing without the guarantee and cannot complete
13 the financing in a manner that allows the timely exe-
14 cution of the project plans without the guarantee.
15 Obligations guaranteed under this subsection shall
16 be in such form and denominations, have such matu-
17 rities, and be subject to such conditions as the Sec-
18 retary may prescribe in regulations. The Secretary
19 may not deny a guarantee under this subsection on
20 the basis of the proposed repayment period for the
21 obligation, unless the period is more than 20 years
22 or the Secretary determines that the period causes
23 the guarantee to constitute an unacceptable financial
24 risk.

1 “(3) MAXIMUM GUARANTEE FOR A STATE.—

2 The Secretary may not guarantee an obligation for
3 a State under this subsection during a fiscal year if,
4 as a result, the total amount of the outstanding obli-
5 gations guaranteed for the State under this sub-
6 section would exceed 5 times the amount of the al-
7 lotments of the State under this subchapter for the
8 fiscal year.

9 “(4) REPAYMENT CONTRACT; PLEDGE; SECU-
10 RITY.—To assure the repayment of obligations and
11 charges incurred under this subsection, in order for
12 a State to receive a guarantee for an obligation
13 under this subsection the State shall—

14 “(A) enter into a contract, in a form ac-
15 ceptable to the Secretary, for repayment of the
16 obligation;

17 “(B) pledge any allotment for which the
18 State may become eligible under this sub-
19 chapter for the fiscal year during which the ob-
20 ligation is guaranteed, and the 4 succeeding fis-
21 cal years; and

22 “(C) furnish, at the request of the Sec-
23 retary, such other security as the Secretary may
24 determine to be appropriate in making such
25 guarantees.

1 “(5) PLEDGED ALLOTMENTS FOR REPAY-
 2 MENTS.—Notwithstanding any other provision of
 3 this subchapter, the Secretary may apply allotments
 4 pledged under paragraph (4)(B) to any repayment
 5 due to the United States as a result of a guarantee
 6 made under this subsection.

7 “(6) PAYMENT OF PRINCIPAL, INTEREST, AND
 8 COSTS.—Notwithstanding any other provision of this
 9 subchapter, a State may use an allotment received
 10 under this subchapter (including program income
 11 derived from the allotment) to pay for principal and
 12 interest due (including such servicing, underwriting,
 13 and other costs as the Secretary may specify in reg-
 14 ulations) on an obligation guaranteed under this
 15 subsection.

16 “(7) ISSUANCE OF OBLIGATIONS TO SECRETARY
 17 OF THE TREASURY.—

18 “(A) ISSUANCE.—The Secretary may issue
 19 obligations to the Secretary of the Treasury in
 20 an amount outstanding at any one time suffi-
 21 cient to enable the Secretary to carry out the
 22 obligations of the Secretary under guarantees
 23 authorized by this subsection. The obligations
 24 issued under this paragraph shall have such
 25 maturities and bear such rates of interest as

1 the Secretary of the Treasury shall determine
2 to be appropriate.

3 “(B) PURCHASE.—The Secretary of the
4 Treasury shall purchase any obligations of the
5 Secretary issued under this paragraph. For the
6 purposes of making such a purchase, the Sec-
7 retary of the Treasury may use as a public debt
8 transaction the proceeds from the sale of any
9 security issued under chapter 31 of title 31,
10 United States Code. The purposes for which
11 such a security may be issued under such chap-
12 ter are extended to include the purchases of the
13 obligations issued under this paragraph.

14 “(8) PURCHASE OF GUARANTEED OBLIGATIONS
15 BY FEDERAL FINANCING BANK.—An obligation
16 guaranteed under this subsection may not be pur-
17 chased by the Federal Financing Bank.

18 “(9) FEDERAL TAXATION OF GUARANTEED OB-
19 LIGATIONS.—The interest paid on an obligation
20 guaranteed under this subsection shall be included
21 in gross income for the purpose of chapter 1 of the
22 Internal Revenue Code of 1986.

23 “(10) MAXIMUM TOTAL AMOUNT OF GUARAN-
24 TEES.—

1 “(A) FISCAL YEARS.—To the extent pro-
2 vided in appropriations Acts and permitted
3 under this subsection, and notwithstanding any
4 other provision of law, the Secretary may guar-
5 antee obligations under this subsection with an
6 aggregate principal amount of \$500,000,000
7 for fiscal year 1999 and \$500,000,000 for each
8 subsequent fiscal year.

9 “(B) OUTSTANDING OBLIGATIONS.—The
10 aggregate principal amount of outstanding obli-
11 gations guaranteed on a cumulative basis by the
12 Secretary under this subsection shall not exceed
13 \$2,500,000,000.

14 “(C) MONITORING.—The Secretary shall
15 monitor the use of guarantees under this sub-
16 section by States. If the Secretary determines
17 that 50 percent of the aggregate guarantee au-
18 thority described in subparagraph (B) has been
19 committed, the Secretary may impose limita-
20 tions on the amount of guarantees any State
21 may receive in any fiscal year, or request the
22 enactment of legislation increasing the limit on
23 the authority.

24 “(11) LIMITATION ON IMPOSITION OF FEE OR
25 CHARGE.—No fee or charge may be imposed by the

1 Secretary or any other head of a Federal agency on
 2 or with respect to a guarantee made by the Sec-
 3 retary under this subsection.

4 “(e) INTERAGENCY AGREEMENTS.—The Secretary
 5 may carry out the responsibilities of the Secretary under
 6 this section directly or by entering into an interagency
 7 agreement with the head of another Federal agency to
 8 carry out such responsibilities.”.

9 **SEC. 108. ADMINISTRATION AND ENFORCEMENT.**

10 Section 658I(b)(2)(A) of the Child Care and Develop-
 11 ment Block Grant Act of 1990 (42 U.S.C.
 12 9858g(b)(2)(A)) is amended, in the matter following
 13 clause (ii), by striking “the State allotment” and inserting
 14 “the appropriate State allotment”.

15 **SEC. 109. PAYMENTS.**

16 Section 658J of the Child Care and Development
 17 Block Grant Act of 1990 (42 U.S.C. 9858h) is amended—

18 (1) in subsection (a), by striking “its allot-
 19 ment” and inserting “each allotment of the State”;
 20 and

21 (2) in subsection (c), by striking “the allot-
 22 ment” and inserting “an allotment”.

23 **SEC. 110. SURVEYS.**

24 Section 658K of the Child Care and Development
 25 Block Grant Act of 1990 (42 U.S.C. 9858i) is amended—

1 (1) in subsection (a)(2)(A), by striking “section
2 658P(5)” and inserting “section 658T(5)”; and

3 (2) by adding at the end the following:

4 “(c) SURVEYS.—A State that receives allotments to
5 carry out this subchapter shall conduct periodic surveys
6 to collect wage and rate information referred to in section
7 658E(c)(3)(C) and shall periodically submit to the Sec-
8 retary reports containing the results of the surveys.”.

9 **SEC. 111. ALLOTMENTS.**

10 (a) PAYMENTS FOR THE BENEFIT OF INDIAN CHIL-
11 DREN.—Section 658O(c) of the Child Care and Develop-
12 ment Block Grant Act of 1990 (42 U.S.C. 9858m(c)) is
13 amended—

14 (1) in paragraph (2)(A), by striking “lead agen-
15 cy” and inserting “State coordinating board”;

16 (2) in paragraph (3)—

17 (A) by striking “child care services pro-
18 vided” and inserting “services provided”; and

19 (B) by striking “child care services;” and
20 inserting “services described in this sub-
21 chapter;”; and

22 (3) in paragraph (6), by inserting “(other than
23 the amounts provided to carry out section 658H)”
24 after “this subsection” each place it appears.

1 (b) ALLOTMENTS.—Section 658O of the Child Care
 2 and Development Block Grant Act of 1990 (42 U.S.C.
 3 9858m) is amended—

4 (1) by redesignating subsection (f) as sub-
 5 section (g);

6 (2) by inserting before subsection (g) the fol-
 7 lowing:

8 “(f) RELATIONSHIP BETWEEN APPROPRIATED
 9 FUNDS, RESERVATIONS, AND ALLOTMENTS.—The Sec-
 10 retary shall make 5 sets of reservations described in para-
 11 graphs (1) and (2) of subsection (a), and of allotments
 12 described in subsection (b). The Secretary shall make the
 13 reservations and allotments—

14 “(1) to carry out activities under sections
 15 658F(a)(1) and 658G(a), from the amount appro-
 16 priated under subsections (a) and (b)(1) of section
 17 658B;

18 “(2) to carry out activities under section
 19 658F(a)(2), from the amount appropriated under
 20 section 658B(b)(2);

21 “(3) to carry out activities under section
 22 658G(b), from the amount appropriated under sec-
 23 tion 658B(b)(3);

1 “(4) to carry out activities under section
2 658G(d), from the amount appropriated under sec-
3 tion 658B(b)(5); and

4 “(5) to carry out activities under section 658H,
5 from the amount appropriated under section
6 658B(b)(6).”; and

7 (3) in subsection (g) (as redesignated in para-
8 graph (1)), by striking “DEFINITION.—” and all
9 that follows through “the term” and inserting the
10 following: “DEFINITIONS.—In this section:

11 “(1) APPROPRIATED AMOUNT.—The term ‘ap-
12 propriated amount’ means, with respect to a set of
13 activities described in a paragraph of subsection (f),
14 the amount described in that paragraph.

15 “(2) STATE.—The term”.

16 (c) CONFORMING AMENDMENTS.—Section 658O (42
17 U.S.C. 9858m) is amended—

18 (1) in subsection (a)—

19 (A) in paragraph (1), by striking “the
20 amount appropriated under this subchapter”
21 and inserting “the appropriated amount”; and

22 (B) in paragraph (2), by striking “the
23 amount appropriated under section 658B” and
24 inserting “the appropriated amount”;

1 (2) in subsection (b)(1), by striking “the
2 amounts appropriated under section 658B” and in-
3 serting “the appropriated amount”; and

4 (3) in subsection (e)—

5 (A) in paragraph (1)—

6 (i) by striking “the allotment under”
7 and inserting “an allotment for an activity
8 made under”; and

9 (ii) by striking “the original allot-
10 ments” and inserting “the original allot-
11 ments for the activity”;

12 (B) in paragraph (2)—

13 (i) in subparagraph (A), by striking
14 “carry out a State plan” and inserting
15 “carry out the activity involved under a
16 State plan”; and

17 (ii) in subparagraph (B), by inserting
18 “for the activity” before the period; and

19 (C) in paragraph (3)—

20 (i) by inserting “for an activity” be-
21 fore “shall be”; and

22 (ii) by inserting “for the activity” be-
23 fore the period.

1 **TITLE II—SUPPORTING FAMILY**
 2 **CHOICES IN CHILD CARE**

3 **SEC. 201. EXPANDING THE DEPENDENT CARE TAX CREDIT.**

4 (a) PERCENTAGE OF EMPLOYMENT-RELATED EX-
 5 PENSES DETERMINED BY TAXPAYER STATUS.—Section
 6 21(a)(2) of the Internal Revenue Code of 1986 (defining
 7 applicable percentage) is amended to read as follows:

8 “(2) APPLICABLE PERCENTAGE DEFINED.—For
 9 purposes of paragraph (1), the term ‘applicable per-
 10 centage’ means—

11 “(A) except as provided in subparagraph
 12 (B), 50 percent reduced (but not below 20 per-
 13 cent) by 1 percentage point for each \$1,000, or
 14 fraction thereof, by which the taxpayers’s ad-
 15 justed gross income for the taxable year exceeds
 16 \$30,000, and

17 “(B) in the case of employment-related ex-
 18 penses described in subsection (e)(11), 50 per-
 19 cent reduced (but not below zero) by 1 percent-
 20 age point for each \$800, or fraction thereof, by
 21 which the taxpayers’s adjusted gross income for
 22 the taxable year exceeds \$30,000.”.

23 (b) INFLATION ADJUSTMENT FOR ALLOWABLE EX-
 24 PENSES.—Section 21(c) of the Internal Revenue Code of
 25 1986 (relating to dollar limit on amount creditable) is

1 amended by striking “The amount determined” and in-
 2 serting “In the case of any taxable year beginning after
 3 1998, each dollar amount referred to in paragraphs (1)
 4 and (2) shall be increased by an amount equal to such
 5 dollar amount multiplied by the cost-of-living adjustment
 6 determined under section 1(f)(3) for the calendar year in
 7 which the taxable year begins, by substituting ‘calendar
 8 year 1997’ for ‘calendar year 1992’ in subparagraph (B)
 9 thereof. If any dollar amount after being increased under
 10 the preceding sentence is not a multiple of \$10, such dollar
 11 amount shall be rounded to the nearest multiple of \$10.
 12 The amount determined”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section apply to taxable years beginning after Decem-
 15 ber 31, 1998.

16 **SEC. 202. MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME**
 17 **PARENTS.**

18 (a) IN GENERAL.—Section 21(e) of the Internal Rev-
 19 enue Code of 1986 (relating to special rules) is amended
 20 by adding at the end the following:

21 “(11) MINIMUM CREDIT ALLOWED FOR STAY-
 22 AT-HOME PARENTS.—Notwithstanding subsection
 23 (d), in the case of any taxpayer with one or more
 24 qualifying individuals described in subsection
 25 (b)(1)(A) under the age of 1 at any time during the

1 taxable year, such taxpayer shall be deemed to have
 2 employment-related expenses with respect to such
 3 qualifying individuals in an amount equal to the sum
 4 of—

5 “(A) \$90 for each month in such taxable
 6 year during which at least one of such qualify-
 7 ing individuals is under the age of 1, and

8 “(B) the amount of employment-related ex-
 9 penses otherwise incurred for such qualifying
 10 individuals for the taxable year (determined
 11 under this section without regard to this para-
 12 graph).”.

13 (b) EFFECTIVE DATE.—The amendments made by
 14 this section apply to taxable years beginning after Decem-
 15 ber 31, 1998.

16 **SEC. 203. CREDIT MADE REFUNDABLE.**

17 (a) IN GENERAL.—Part IV of subchapter A of chap-
 18 ter 1 of the Internal Revenue Code of 1986 (relating to
 19 credits against tax) is amended—

20 (1) by redesignating section 35 as section 36,
 21 and

22 (2) by redesignating section 21 as section 35.

23 (b) ADVANCE PAYMENT OF CREDIT.—Chapter 25 of
 24 such Code (relating to general provisions relating to em-

1 ployment taxes) is amended by inserting after section
2 3507 the following:

3 **“SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE**
4 **CREDIT.**

5 “(a) GENERAL RULE.—Except as otherwise provided
6 in this section, every employer making payment of wages
7 with respect to whom a dependent care eligibility certifi-
8 cate is in effect shall, at the time of paying such wages,
9 make an additional payment equal to such employee’s de-
10 pendent care advance amount.

11 “(b) DEPENDENT CARE ELIGIBILITY CERTIFI-
12 CATE.—For purposes of this title, a dependent care eligi-
13 bility certificate is a statement furnished by an employee
14 to the employer which—

15 “(1) certifies that the employee will be eligible
16 to receive the credit provided by section 35 for the
17 taxable year,

18 “(2) certifies that the employee reasonably ex-
19 pects to be an applicable taxpayer for the taxable
20 year,

21 “(3) certifies that the employee does not have
22 a dependent care eligibility certificate in effect for
23 the calendar year with respect to the payment of
24 wages by another employer,

1 “(4) states whether or not the employee’s
2 spouse has a dependent care eligibility certificate in
3 effect,

4 “(5) states the number of qualifying individuals
5 in the household maintained by the employee, and

6 “(6) estimates the amount of employment-relat-
7 ed expenses for the calendar year.

8 “(c) DEPENDENT CARE ADVANCE AMOUNT.—

9 “(1) IN GENERAL.—For purposes of this title,
10 the term ‘dependent care advance amount’ means,
11 with respect to any payroll period, the amount deter-
12 mined—

13 “(A) on the basis of the employee’s wages
14 from the employer for such period,

15 “(B) on the basis of the employee’s esti-
16 mated employment-related expenses included in
17 the dependent care eligibility certificate, and

18 “(C) in accordance with tables provided by
19 the Secretary.

20 “(2) ADVANCE AMOUNT TABLES.—The tables
21 referred to in paragraph (1)(C) shall be similar in
22 form to the tables prescribed under section 3402
23 and, to the maximum extent feasible, shall be coordi-
24 nated with such tables and the tables prescribed
25 under section 3507(c).

1 “(d) OTHER RULES.—For purposes of this section,
 2 rules similar to the rules of subsections (d) and (e) of sec-
 3 tion 3507 shall apply.

4 “(e) DEFINITIONS.—For purposes of this section,
 5 terms used in this section which are defined in section 35
 6 shall have the respective meanings given such terms by
 7 section 35.”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 35(a)(1) of such Code, as redesign-
 10 nated by paragraph (1), is amended by striking
 11 “chapter” and inserting “subtitle”.

12 (2) Section 35(e) of such Code, as so redesign-
 13 nated and amended by subsection (c), is amended by
 14 adding at the end the following:

15 “(12) COORDINATION WITH ADVANCE PAY-
 16 MENTS AND MINIMUM TAX.—Rules similar to the
 17 rules of subsections (g) and (h) of section 32 shall
 18 apply for purposes of this section.”.

19 (3) Sections 23(f)(1) and 129(a)(2)(C) of such
 20 Code are each amended by striking “section 21(e)”
 21 and inserting “section 35(e)”.

22 (4) Section 129(b)(2) of such Code is amended
 23 by striking “section 21(d)(2)” and inserting “section
 24 35(d)(2)”.

1 (5) Section 129(e)(1) of such Code is amended
2 by striking “section 21(b)(2)” and inserting “section
3 35(b)(2)”.

4 (6) Section 213(e) of such Code is amended by
5 striking “section 21” and inserting “section 35”.

6 (7) Section 995(f)(2)(C) of such Code is
7 amended by striking “and 34” and inserting “34,
8 and 35”.

9 (8) Section 6211(b)(4)(A) of such Code is
10 amended by striking “and 34” and inserting “, 34,
11 and 35”.

12 (9) Section 6213(g)(2)(H) of such Code is
13 amended by striking “section 21” and inserting
14 “section 35”.

15 (10) The table of sections for subpart C of part
16 IV of subchapter A of chapter 1 of such Code is
17 amended by striking the item relating to section 35
18 and inserting the following:

 “Sec. 35. Dependent care services.

 “Sec. 36. Overpayments of tax.”.

19 (11) The table of sections for subpart A of such
20 part IV is amended by striking the item relating to
21 section 21.

1 (12) The table of sections for chapter 25 of
 2 such Code is amended by adding after the item re-
 3 lating to section 3507 the following:

 “Sec. 3507A. Advance payment of dependent care credit.”.

4 (13) Section 1324(b)(2) of title 31, United
 5 States Code, is amended by inserting before the pe-
 6 riod “, or enacted by the Child Care ACCESS (Af-
 7 fordable Child Care for Early Success and Security)
 8 Act”.

9 (d) EFFECTIVE DATE.—The amendments made by
 10 this section apply to taxable years beginning after Decem-
 11 ber 31, 1998.

12 **TITLE III—QUALITY CHILD CARE** 13 **LOAN FORGIVENESS**

14 **SEC. 301. SHORT TITLE.**

15 This title may be cited as the “Quality Child Care
 16 Loan Forgiveness Act”.

17 **SEC. 302. FINDINGS.**

18 Congress makes the following findings:

19 (1) New scientific research shows that the elec-
 20 trical activity of brain cells actually changes the
 21 physical structure of the brain, and that without a
 22 stimulating environment, a baby’s brain suffers.

23 (2) 12,000,000 children under age 6, and
 24 17,000,000 school-aged children of working parents,

1 need child care. Demand for child care is growing as
 2 more mothers enter the workforce.

3 (3) Good quality child care, in a safe environ-
 4 ment, with trained, caring providers who offer stim-
 5 ulating activities appropriate to the child's age, help
 6 children grow and thrive. Recent research shows
 7 that most child care needs significant improvement.

8 (4) Good quality child care depends largely on
 9 the provider. Yet providers of child care earn on av-
 10 erage only \$6.70 per hour or \$11,725 per year. Such
 11 earnings cause high turnover, which affects the over-
 12 all quality of a child care program and causes anxi-
 13 ety for children.

14 (5) Children attending lower-quality child care
 15 facilities and child care facilities with high staff
 16 turnover are less competent in language and social
 17 development.

18 (6) Low-income and high-income children are
 19 more likely than middle-income children to attend
 20 child care facilities providing high quality child care.

21 (7) The quality of child care is primarily related
 22 to high staff-to-child ratios, staff education, and ad-
 23 ministrators' prior experience. In addition, certain
 24 characteristics distinguish poor, mediocre, and good-
 25 quality child care facilities, the most important of

1 which are teacher wages, education, and specialized
 2 training.

3 **SEC. 303. PURPOSES.**

4 The purposes of this title are—

5 (1) to bring more highly trained individuals into
 6 the early child care profession; and

7 (2) to keep more highly trained child care pro-
 8 viders in the early child care field for longer periods
 9 of time.

10 **SEC. 304. LOAN FORGIVENESS FOR CHILD CARE PROVID-**
 11 **ERS.**

12 Part B of the Higher Education Act of 1965 (20
 13 U.S.C. 1071 et seq.) is amended by inserting after section
 14 428J of such Act (20 U.S.C. 1078–10) the following:

15 **“SEC. 428I. LOAN FORGIVENESS FOR CHILD CARE PROVID-**
 16 **ERS.**

17 “(a) DEFINITIONS.—In this section:

18 “(1) CHILD CARE FACILITY.—The term ‘child
 19 care facility’ means a facility that—

20 “(A) provides child care services; and

21 “(B) meets applicable State or local gov-
 22 ernment licensing, certification, approval, or
 23 registration requirements, if any.

24 “(2) CHILD CARE SERVICES.—The term ‘child
 25 care services’ means activities and services provided

1 for the education and care of children from birth
2 through age 5 by an individual who has a degree in
3 early childhood education.

4 “(3) DEGREE.—The term ‘degree’ means an as-
5 sociate’s or bachelor’s degree awarded by an institu-
6 tion of higher education.

7 “(4) EARLY CHILDHOOD EDUCATION.—The
8 term ‘early childhood education’ means education in
9 the areas of early child education, child care, or any
10 other educational area related to child care that the
11 Secretary determines appropriate.

12 “(5) INSTITUTION OF HIGHER EDUCATION.—
13 The term ‘institution of higher education’ has the
14 meaning given the term in section 1201.

15 “(b) PROGRAM.—

16 “(1) IN GENERAL.—The Secretary may carry
17 out a program of assuming the obligation to repay,
18 pursuant to subsection (c), a loan made, insured or
19 guaranteed under this part or part D (excluding
20 loans made under sections 428B and 428C) for any
21 new borrower after October 1, 1994, who completes
22 a degree in early childhood education and obtains
23 full-time employment in a child care facility.

24 “(2) AWARD BASIS; PRIORITY.—

1 “(A) AWARD BASIS.—Subject to subpara-
 2 graph (B), loan repayment under this section
 3 shall be on a first-come, first-served basis and
 4 subject to the availability of appropriations.

5 “(B) PRIORITY.—The Secretary shall give
 6 priority in providing loan repayment under this
 7 section for a fiscal year to student borrowers
 8 who received loan repayment under this section
 9 for the preceding fiscal year.

10 “(3) REGULATIONS.—The Secretary is author-
 11 ized to prescribe such regulations as may be nec-
 12 essary to carry out the provisions of this section.

13 “(c) LOAN REPAYMENT.—

14 “(1) IN GENERAL.—The Secretary shall assume
 15 the obligation to repay 15 percent of the total
 16 amount of all loans made after October 1, 1994, to
 17 a student under this part or part D for each com-
 18 plete year of employment described in subsection
 19 (b)(1).

20 “(2) CONSTRUCTION.—Nothing in this section
 21 shall be construed to authorize the refunding of any
 22 repayment of a loan made under this part or part
 23 D.

24 “(3) INTEREST.—If a portion of a loan is re-
 25 paid by the Secretary under this section for any

1 year, the proportionate amount of interest on such
2 loan which accrues for such year shall be repaid by
3 the Secretary.

4 “(4) SPECIAL RULE.—In the case where a stu-
5 dent borrower who is not participating in loan repay-
6 ment pursuant to this section returns to an institu-
7 tion of higher education after graduation from an in-
8 stitution of higher education for the purpose of ob-
9 taining a degree in early childhood education, the
10 Secretary is authorized to assume the obligation to
11 repay the total amount of loans made under this
12 part or part D incurred for a maximum of two aca-
13 demic years in returning to an institution of higher
14 education for the purpose of obtaining a degree in
15 early childhood education. Such loans shall only be
16 repaid for borrowers who qualify for loan repayment
17 pursuant to the provisions of this section, and shall
18 be repaid in accordance with the provisions of para-
19 graph (1).

20 “(5) INELIGIBILITY OF NATIONAL SERVICE
21 AWARD RECIPIENTS.—No student borrower may, for
22 the same volunteer service, receive a benefit under
23 both this section and subtitle D of title I of the Na-
24 tional and Community Service Act of 1990 (42
25 U.S.C. 12601 et seq.).

1 “(d) REPAYMENT TO ELIGIBLE LENDERS.—The Sec-
2 retary shall pay to each eligible lender or holder for each
3 fiscal year an amount equal to the aggregate amount of
4 loans which are subject to the repayment pursuant to this
5 section for such year.

6 “(e) APPLICATION FOR REPAYMENT.—

7 “(1) IN GENERAL.—Each eligible individual de-
8 siring loan repayment under this section shall sub-
9 mit a complete and accurate application to the Sec-
10 retary at such time, in such manner, and containing
11 such information as the Secretary may require.

12 “(2) CONDITIONS.—An eligible individual may
13 apply for loan repayment under this section after
14 completing each year of qualifying employment. The
15 borrower shall receive forbearance while engaged in
16 qualifying employment unless the borrower is in
17 deferment while so engaged.

18 “(f) EVALUATION.—

19 “(1) IN GENERAL.—The Secretary shall con-
20 duct, by grant or contract, an independent national
21 evaluation of the impact of the program assisted
22 under this section on the field of early childhood
23 education.

1 “(2) COMPETITIVE BASIS.—The grant or con-
 2 tract described in subsection (a) shall be awarded on
 3 a competitive basis.

4 “(3) CONTENTS.—The evaluation described in
 5 this subsection shall—

6 “(A) determine the number of individuals
 7 who were encouraged by the program assisted
 8 under this section to pursue early childhood
 9 education;

10 “(B) determine the number of individuals
 11 who remain employed in a child care facility as
 12 a result of participation in the program;

13 “(C) identify the barriers to the effective-
 14 ness of the program;

15 “(D) assess the cost-effectiveness of the
 16 program in improving the quality of—

17 “(i) early childhood education; and

18 “(ii) child care services;

19 “(E) identify the reasons why participants
 20 in the program have chosen to take part in the
 21 program;

22 “(F) identify the number of individuals
 23 participating in the program who received an
 24 associate’s degree and the number of such indi-
 25 viduals who received a bachelor’s degree; and

1 “(G) identify the number of years each in-
2 dividual participates in the program.

3 “(4) INTERIM AND FINAL EVALUATION RE-
4 PORTS.—The Secretary shall prepare and submit to
5 the President and the Congress such interim reports
6 regarding the evaluation described in this subsection
7 as the Secretary deems appropriate, and shall pre-
8 pare and so submit a final report regarding the eval-
9 uation by January 1, 2002.

10 “(g) AUTHORIZATION OF APPROPRIATIONS.—There
11 are authorized to be appropriated to carry out this section
12 \$200,000,000 for each of fiscal years 1999 through
13 2003.”.

14 **SEC. 305. LOAN CANCELLATION.**

15 Section 465(a) of the Higher Education Act of 1965
16 (20 U.S.C. 1087ee(a)) is amended—

17 (1) in paragraph (2)—

18 (A) by redesignating subparagraphs (G),
19 (H), and (I) as subparagraphs (H), (I), and
20 (J), respectively; and

21 (B) by inserting after subparagraph (F),
22 the following:

23 “(G) as a full-time child care provider or
24 educator—

1 “(i) in a child care facility operated by
 2 an entity that meets the applicable State
 3 or local government licensing, certification,
 4 approval, or registration requirements, if
 5 any; and

6 “(ii) who has a degree in early child-
 7 hood education;”; and

8 (2) in paragraph (3)(A)—

9 (A) in clause (i), by striking “(G), (H), or
 10 (I)” and inserting “(H), (I), or (J)”; and

11 (B) in clause (ii), by inserting “or (G)”
 12 after “subparagraph (B)”.

13 **TITLE IV—OFFSETS**

14 **SEC. 401. OFFSETS RELATING TO TAX PROVISIONS.**

15 (a) REPEAL OF OIL AND GAS PERCENTAGE DEPLE-
 16 TION ALLOWANCE.—Section 613A of the Internal Reve-
 17 nue Code of 1986 is amended by adding at the end the
 18 following new subsection:

19 “(f) TERMINATION.—This section shall not apply on
 20 and after January 1, 1999.”.

21 (b) REPEAL OF ENHANCED OIL RECOVERY CRED-
 22 IT.—Section 43 of the Internal Revenue Code of 1986 is
 23 amended by adding at the end the following new sub-
 24 section:

1 “(f) TERMINATION.—In the case of taxable years be-
 2 ginning after December 31, 1998, the enhanced oil recov-
 3 ery credit is zero.”.

4 (c) REPEAL OF EXEMPTION FROM ALTERNATIVE
 5 MINIMUM TAX FOR SMALL CORPORATIONS.—

6 (1) REPEAL.—Section 55 of the Internal Reve-
 7 nue Code of 1986 is amended by striking subsection
 8 (e).

9 (2) EFFECTIVE DATE.—The repeal made by
 10 paragraph (1) shall apply to taxable years beginning
 11 after December 31, 1997.

12 (d) REPEAL OF SECTION 911 INCOME EXCLUSION.—
 13 Section 911(b) of the Internal Revenue Code of 1986 is
 14 amended by adding at the end the following new para-
 15 graph:

16 “(3) TERMINATION.—In the case of any taxable
 17 year beginning after December 31, 1998, foreign
 18 earned income shall be zero.”.

19 **SEC. 402. OFFSETS RELATING TO DEFENSE CUTS.**

20 (a) TERMINATION OF F-22 AIRCRAFT PROGRAM.—

21 (1) TERMINATION.—The Secretary of Defense
 22 shall terminate the F-22 aircraft program.

23 (2) TERMINATION COSTS.—On and after the
 24 date of the enactment of this Act, funds available for
 25 the F-22 aircraft program may be obligated for that

1 program only for the costs of terminating the pro-
 2 gram.

3 (b) REDUCTION IN INVENTORY OF STRATEGIC NU-
 4 CLEAR DELIVERY SYSTEMS.—

5 (1) REDUCTION REQUIRED.—The President
 6 shall reduce the United States inventory of strategic
 7 nuclear delivery systems to the levels applicable to
 8 the United States, within the time provided, in the
 9 START II Treaty.

10 (2) START II TREATY DEFINED.—In this sec-
 11 tion, the term “START II Treaty” means the Trea-
 12 ty Between the United States of America and the
 13 Russian Federation on Further Reduction and Limi-
 14 tation of Strategic Offensive Arms, signed at Mos-
 15 cow on January 3, 1993, including the following
 16 protocols and memorandum of understanding, all
 17 such documents being integral parts of and collec-
 18 tively referred to as the “START II Treaty” (con-
 19 tained in Treaty Document 103–1):

20 (A) The Protocol on Procedures Governing
 21 Elimination of Heavy ICBMs and on Proce-
 22 dures Governing Conversion of Silo Launchers
 23 of Heavy ICBMs Relating to the Treaty Be-
 24 tween the United States of America and the
 25 Russian Federation on Further Reduction and

1 Limitation of Strategic Offensive Arms (also
2 known as the “Elimination and Conversion Pro-
3 tocol”).

4 (B) The Protocol on Exhibitions and In-
5 spections of Heavy Bombers Relating to the
6 Treaty Between the United States and the Rus-
7 sian Federation on Further Reduction and
8 Limitation of Strategic Offensive Arms (also
9 known as the “Exhibitions and Inspections Pro-
10 tocol”).

11 (C) The Memorandum of Understanding
12 on Warhead Attribution and Heavy Bomber
13 Data Relating to the Treaty Between the
14 United States of America and the Russian Fed-
15 eration on Further Reduction and Limitation of
16 Strategic Offensive Arms (also known as the
17 “Memorandum on Attribution”).

18 **SEC. 403. REDUCTION IN AMOUNT AVAILABLE FOR INTEL-**
19 **LIGENCE ACTIVITIES IN FISCAL YEAR 1999.**

20 Notwithstanding any other provision of law, the total
21 amount available in fiscal year 1999, 2000, 2001, 2002,
22 or 2003 for the conduct of the intelligence and intel-
23 ligence-related activities of the United States Government
24 shall be—

1 (1) the amount authorized to be appropriated
 2 for the conduct of such activities in such fiscal year;
 3 minus

4 (2) the amount equal to 5 percent of the
 5 amount referred to in paragraph (1).

6 **SEC. 404. RECOUPMENT OF FOREIGN MILITARY SALES**
 7 **COSTS AND EXPENSES.**

8 (a) PLANT AND PRODUCTION COSTS; NON-
 9 RECURRING COSTS.—

10 (1) IN GENERAL.—Section 21(e)(1) of the
 11 Arms Export Control Act (22 U.S.C. 2761(e)(1)) is
 12 amended—

13 (A) by redesignating subparagraphs (B)
 14 and (C) as subparagraphs (C) and (D), respec-
 15 tively;

16 (B) by inserting after subparagraph (A)
 17 the following:

18 “(B) any use of plant and production equip-
 19 ment in connection with such defense articles;”; and

20 (C) in subparagraph (C) (as redesignated)
 21 by striking “(except for” and all that follows
 22 through “this Act)”.

23 (2) CONFORMING AMENDMENT.—Section
 24 21(e)(2)(A) of the Arms Export Control Act (22
 25 U.S.C. 2761(e)(2)(A)) is amended—

1 (A) in subparagraphs (B) and (C), by
 2 striking “paragraph (1)(B)” each place it ap-
 3 pears and inserting “paragraphs (1)(B) and
 4 (1)(C)”; and

5 (B) in subparagraph (C), by striking
 6 “paragraph (1)(B)” and inserting paragraph
 7 (1)(C)”.

8 (b) ADMINISTRATIVE EXPENSES.—Section 43(b)(3)
 9 of the Arms Export Control Act (22 U.S.C. 2792(b)(3))
 10 is amended—

11 (1) by striking “are neither” and inserting “in-
 12 clude the”; and

13 (2) by striking “nor represent” and inserting
 14 “and the”.

15 **SEC. 405. TERMINATION OF UNITED STATES PARTICIPA-**
 16 **TION IN THE INTERNATIONAL SPACE STA-**
 17 **TION PROGRAM.**

18 (a) TERMINATION.—The Administrator of the Na-
 19 tional Aeronautics and Space Administration shall termi-
 20 nate the participation of the United States in the Inter-
 21 national Space Station program.

22 (b) TERMINATION COSTS.—On and after the date of
 23 enactment of this Act, the Administrator of the National
 24 Aeronautics and Space Administration may obligate funds
 25 made available to the Administrator for the participation

- 1 of the United States in the International Space Station
- 2 program only for the costs of terminating the participation
- 3 of the United States in that program.

